

Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
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DOE-11 STRE-00 /117 W
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R 061939Z MAR 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 5304
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY BERN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA
AMEMBASSY HELSINKI
AMEMBASSY LISBON

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USEEC

PARIS FOR OECD; GENEVA FOR MTN

E.O. 11652: N/A
TAGS: EEC, ETRD, EIND
SUBJECT: COMMISSION STEEL TRADE PACT WITH EFTA COUNTRIES

REF: BRUSSELS 04028

1. EC COMMISSION STEEL OFFICIALS SAY THEY ARE QUITE
PLEASED WITH THE SPEEDY CONCLUSION OF THE STEEL TRADE
AGREEMENTS BETWEEN THE COMMISSION AND EFTA STEEL EX-
PORTERS (REFTEL). THE AGREEMENTS MUST STILL BE APPROVED
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BY THE MEMBER STATES THROUGH THE COMMITTEE OF PERMANENT
REPRESENTATIVES (COREPER), BUT SINCE THE EC COUNCIL HAS
ALREADY APPROVED THE OUTLINES OF THE AGREEMENT, COREPER
APPROVAL IS EXPECTED TO BE LARGELY PRO FORMA. AS A
FOOTNOTE, SWITZERLAND, FOR CONSTITUTIONAL REASONS, DID
NOT INITIAL THE DOCUMENTS BUT GAVE ITS ORAL APPROVAL
OF THE CONTENTS.

2. OUR SOURCES HAVE INDICATED THAT THE EFTA COUNTRIES, ESPECIALLY THE NORDICS, WERE UNHAPPY WITH THE COMMISSION PRESSURE TACTICS DURING THE NEGOTIATIONS. NEVERTHELESS, BECAUSE THE EC MARKET CONSUMES ALMOST ONE HALF OF EFTA'S STEEL PRODUCTION, COMMISSION'S LEVERAGE WAS SIGNIFICANT EVEN THOUGH THE EC ENJOYS A STEEL TRADE SURPLUS WITH EFTA COUNTRIES. SOURCES ALSO SAY THAT IN ORDER TO CLOSE THE DEAL QUICKLY, THE COMMISSION AGREED THAT EFTA EXPORTS COULD COME IN AT THREE PERCENT BELOW EC PRODUCER LIST PRICES TO COMPENSATE FOR HIGHER TRANSPORTATION COSTS. THE COMMISSION'S ORIGINAL PROPOSAL WAS 2.5 PERCENT. THE LIST PRICES INVOLVED ARE DEFINED IN THE AGREEMENT AS THOSE OF THE BEST PLACED LOCAL PRODUCER IN ANY AREA OF THE COMMON MARKET. THEY ARE MADE UP OF THE COMMISSION'S COMPULSORY OR GUIDELINE MINIMUM PRICES PLUS QUALITY AND TRANSPORTATION DIFFERENTIALS.

3. THE AGREEMENTS ALSO STIPULATE THAT EFTA COUNTRIES SHOULD NOT CHANGE RADCIALLY EITHER THE RANGE OF PRODUCTS SOLD OR THE DESTINATION OF THEIR EXPORTS WITHIN THE EC. IN RETURN, THE COMMISSION ASSURES THAT THE TRADITIONAL PATTERNS OF TRADE WILL BE MAINTAINED, AND UNDERTAKES TO PROHIBIT COMMUNITY STEEL PRODUCERS FROM ALIGNING THEIR PRICES WITH IMPORTS FROM EFTA COUNTRIES. ALSO, BECAUSE OF DIFFICULTIES IN THE EC SHIPBUILDING INDUSTRY, THE LIMITED OFFICIAL USE

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ARRANGEMENTS WILL NOT APPLY TO DELIVERIES DESTINED FOR SHIP OR DRILLING PLATFORM CONSTRUCTION.

4. A RECIPROCITY CLAUSE WILL PERMIT SIMILAR TREATMENT FOR COMMUNITY STEEL EXPORTS TO EFTA SHOULD EFTA COUNTRIES INTRODUCE PRICE MEASURES SIMILAR TO THOSE IN FORCE IN THE EC. COMMISSION OFFICIALS AND EFTA COUNTRY MISSIONS HERE SAY THIS IS A LIKELY DEVELOPMENT.

5. FINALLY, THE EC INTENDS TO LEAVE ITS AUTOMATIC IMPORT LICENSE SYSTEM IN EFFECT TO SUPERVISE THE SYSTEM'S FUNCTIONING. A CONSULTATION PROCEDURE IS ENVISAGED IN THE CASE OF BREACHES OR DIFFICULTIES. HINTON

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